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AT RICHMOND, April 24, 1998

APPLICATION OF

CASE NO. PUA970014

COMMONWEALTH GAS SERVICES, INC.  
AND  
COLUMBIA SERVICE PARTNERS, INC.

For approval, under the Affiliates Act, of an  
agreement to provide services between  
affiliates

**ORDER GRANTING APPROVAL**

On March 19, 1997, Commonwealth Gas Services, Inc. (“Commonwealth,” “the Company,” “the Petitioner”) and Columbia Service Partners, Inc. (“Partners,” “Affiliate”), (collectively, “the Petitioners”) filed a joint petition (“the Petition”) under the Public Utility Affiliates Act for approval of an agreement to provide services and payment for those services between Commonwealth and Partners.

As stated in the Petition, Commonwealth is a natural gas distribution company serving approximately 165,000 customers in Central Virginia, Southside Virginia, Piedmont, and most of the Shenandoah Valley, as well as portions of Northern and Southwest Virginia. Partners intends to offer to Commonwealth’s customers a wide

variety of energy related services. These services include the following: safety inspections, appliance financing, billing insurance, appliance repair warranty, gas line repair warranty, merchandising of energy related goods, commercial equipment service, bill risk management products, consulting and fuel management services, electronic measurement services, and incidental services. Partners will not offer an appliance repair warranty to Commonwealth's customers in affiliation with Commonwealth.

Commonwealth and Partners state in their Petition that they reserve the right to file a petition regarding appliance repair programs at a future date.

As stated in the Petition, Commonwealth proposes to serve as a conduit for Affiliate's advertisement of its new services to Commonwealth's customers by the use of bill inserts and/or messages and as a conduit for billing Partners' charges related to the provision of new services to Commonwealth customers who choose to receive such services. This Petition seeks approval of an Agreement Between Affiliated Interests ("the Agreement") between Commonwealth and Partners. Under the Agreement, Commonwealth will provide accounting, administrative, billing, and other related services to Partners at cost in its efforts to offer new energy related services to Commonwealth's customers. According to the Agreement, any such accounting, administrative, billing, and other related services provided by the Company to Affiliate will be billed at cost, including salaries and wages, benefits, payroll taxes, and all other out-of-pocket expenses incurred by Commonwealth to provide these services. To the extent Commonwealth is billed for services provided by either Columbia Gas of Ohio, Inc., or Columbia Gas System Service Corporation, in order for Commonwealth to fulfill its agreement with Partners, such costs will be passed on to Partners. Commission Orders in Case Nos. PUA900018,

PUA890003, PUA880042, and PUA870060 provide for certain administrative and other services to be provided to Commonwealth by these affiliated companies.

As stated by Commonwealth and Partners, to ensure that Affiliate does not receive a competitive advantage by virtue of its affiliate relationship with Commonwealth, all providers of energy related services to Commonwealth's customers will have the same access to such services. Such access will be on a non-discriminatory basis and on the same terms and conditions as Partners will receive from Commonwealth.

As Partners offers new services to customers, changes will be required in Commonwealth's billing systems. Commonwealth states that it will need to ensure the integrity of the utility portion of the bill and that existing procedures continue to charge Partners appropriately for costs and to respond to questions from Partners' employees regarding bill rendering and cash collections. Account classifications have been established to bill Partners for labor time involved in these activities.

Staff filed its Report on January 23, 1998. In its Report, Staff recommended approval of the Agreement but only to support those services that are currently planned to be offered by Partners to customers in Virginia and which have been shown to be related and incidental to Commonwealth's provision of utility service to its customers in Virginia. On February 20, 1998, the Petitioners filed their response ("the Response") to Staff's Report. In the Response, the Petitioners elaborated on the services to be provided by Partners and requested that the Commission approve the Agreement to support all services to be provided by Partners.

THE COMMISSION, upon consideration of the Petition and representations of the Petitioners and having been advised by its Staff, is of the opinion and finds that the

proposed Agreement Between Affiliated Interests between Commonwealth and Affiliate is in the public interest and should be approved, subject to the following modifications. In granting this approval, we note the Petitioners' representation ensuring that all providers of energy related services will have the same access to Commonwealth's services on a non-discriminatory basis.

We will modify the Agreement to provide for the pricing of services to Partners by Commonwealth at the higher of fully distributed cost, to include a return component, or the market price for such services. If a market price is determined to not be available, Commonwealth shall provide evidence of this in its Annual Report of Affiliate Transactions and in any future rate cases. We are of the further opinion that, since Partners is not a subsidiary of Commonwealth, it is not necessary in this case to determine whether the services to be provided by Partners to customers are related and incidental to Commonwealth's provision of utility service to its customers. Accordingly,

**IT IS ORDERED THAT:**

1) Pursuant to §56-77 of the Code of Virginia, Commonwealth Gas Services, Inc., is hereby granted approval of the Agreement Between Affiliated Interests between Commonwealth and its affiliate, Columbia Service Partners, Inc., under the terms and conditions and for the purposes as described and as modified herein.

2) Pricing of services from Commonwealth to Partners shall be at the higher of fully distributed cost, to include a return component, or the market price for such services.

3) If Commonwealth determines that such market price is not available, the Company shall be required to provide evidence of this in its Annual Report of Affiliate Transactions and in any future rate cases.

4) Should any of the terms and conditions of the Agreement change from those contained herein, Commission approval shall be required for such changes.

5) The approval granted herein shall not preclude the Commission from exercising the provisions of §§56-78 and 56-80 of the Code of Virginia hereafter.

6) The Commission shall have the authority to examine the books and records of any affiliate in connection with the approval granted herein whether or not such affiliate is regulated by the Commission, pursuant to §56-79 of the Code of Virginia.

7) The Company shall file copies of any reports filed with the Securities and Exchange Commission regarding this Petition with the Director of Public Utility Accounting of the Commission.

8) The Company shall file an Annual Report of Affiliate Transactions with the Director of Public Utility Accounting of the Commission by May 1, 1999, for the preceding calendar year, and each subsequent year thereafter. The report shall include all affiliate contracts or arrangements, including the Agreement approved herein, regardless of the amount involved and shall supersede all previous reporting requirements for affiliate transactions. The report shall contain the following:

- a) Affiliate's name;
- b) Description of each affiliate arrangement/agreement;
- c) Dates of each affiliate arrangement/agreement;
- d) Total dollar amount of each affiliate arrangement/agreement;

e) Component costs of each arrangement/agreement where services are provided to an affiliate (i.e., direct/indirect labor, fringe benefits, travel/housing, materials, supplies, indirect miscellaneous expenses, equipment/facilities charges, and overhead);

f) Profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;

g) Comparable market values and documentation related to each arrangement/agreement;

h) Percent/dollar amount of each affiliate arrangement/agreement charged to expense and/or capital accounts; and

i) Allocation bases/factors for allocated costs.

9) There appearing nothing further to be done in this matter, the same be, and it hereby is, dismissed.